

Message Text

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PAGE 01 JAKART 05465 281307Z

ACTION EA-09

INFO OCT-01 ISO-00 OES-06 EB-08 L-03 SS-15 SP-02

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 0722

C O N F I D E N T I A L JAKARTA 5465

STADIS//////////

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: INDONESIAN LNG FOR CALIFORNIA

REF: STATE 091459

1. NEWS OF PROPOSED CURTAILMENT OF EXIM AND MARAD LNG FINANCING FACILITIES HAD ALREADY COME TO PERTAMINA'S ATTENTION PRIOR TO REFTEL VIA GEORGE BENSON. THERE IS SOME CONCERN HERE ABOUT WHETHER THESE RESTRICTIONS COULD APPLY RETROACTIVELY TO MARAD GUARANTEE ON BURMAH/GENERAL DYNAMICS CHEROKEE VESSELS. WE ADVISED PERTAMINA (GEN. SUDARNO) THAT WE DID NOT UNDERSTAND THIS TO BE CASE; WE WOULD APPRECIATE, HOWEVER, DEPARTMENT'S CONFIRMATION. SUDARNO ALSO EXPRESSED INTEREST IN OBTAINING FULL DETAILS OF NEW LNG POLICY AS OUTLINED IN NATIONAL ENERGY PROGRAM. HE WAS PARTICULARLY INTERESTED IN KNOWING WHETHER FPC (OR ITS SUCCESSOR) WOULD RESERVE RIGHT OF CANCELLATION N FUTURE FOREIGN LNG SALES CONTRACTS AS UTILITIES SWITCH FROM GAS TO COAL.

2. SUDARNO HAS JUST ADVISED US THAT PROPOSED DATES FOR PACIFIC LIGHTING VISIT (PARA ONE REFTEL) MAY NOT BE MOST SUITABLE IN TERMS OF HARYONO'S AVAILABILITY. AMBASSADOR ALSO WILL BE AWAY FROM JAKARTA MAY 8-11. IF AT ALL POSSIBLE, WE WOULD BE GRATEFUL IF TODD AND
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O'ROURKE COULD ARRANGE SCHEDULE TO ALLOW TIME FOR CALL ON AMBASSADOR.

3. COMMENT: ON BASIS REFTEL PLUS CONVERSATIONS WITH PERTAMINA AND MIGAS, OUR IMPRESSION AT THIS POINT IS THAT FUTURE OF PACIFIC LIGHTING-PERTAMINA GAS DEAL MAY BE IN JEOPARDY. NEW RESTRAINTS ON EXIM LOANS WILL POSE

SERIOUS PROBLEMS FOR PERTAMINA IN OBTAINING PROJECT FINANCING. FPC'S UNCONDITIONAL ACCEPTANCE OF PERTAMINA'S AUTOMATIC PRICING INCREASES COULD, AS WE SEE IT, REPRESENT FUNDAMENTAL CHALLENGE TO BASIC FPC REGULATORY ROLE VIS A VIS NATURAL GAS ACT. ANTICIPATED DELAYS IN SECURING CALIFORNIA LNG TERMINAL SITING APPROVAL ALSO MAKING PERTAMINA/GOI UNEASY. WHAT ALL OF THIS SUGGESTS, THEREFORE, IS THAT PERTAMINA MAY BE TEMPTED TO TURN TO JAPANESE BUYERS AND SELL GAS THERE. WE HAVE DISCUSSED THESE IMPRESSIONS WITH GEORGE BENSON WHO SHARES OUR CONCERN. HE NOTED OTHERS IN PERTAMINA BEGINNING TO THINK ALONG THESE LINES ALSO. END COMMENT.

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